



*For
Active Members*

Montana Public Employee Retirement Administration (MPERA)

Spring 2003

Legislative Session Update 2003



Governor Judy Martz signed the following retirement-related 2003 Legislative Session bills into law:

Purchase of Military Service House Bill 44 and Senate Bill 66

This legislation allows defined benefit retirement system members (see note below) with at least **five years of membership service** to purchase military service. By law, the amount of service which may be purchased is limited to five years in combination with some other service purchases. Representative

Frank Smith introduced House Bill 44 and Senator John C. Bohlinger introduced Senate Bill 66. This legislation is effective July 1, 2003. (See a related article on page three, Purchase of Reserve Military Service.)

Note: Articles in this newsletter reference, by acronym, the defined benefit retirement systems administered by the Public Employees' Retirement Board. They are: Public Employees' (PERS); Sheriffs' (SRS); Highway Patrol Officers' (HPORS); Game Wardens' and Peace Officers' (GWPORS); Municipal Police Officers' (MPORS); Firefighters' Unified (FURS); and Judges' (JRS)

Purchase of Service as a Volunteer in a U.S. Service Program for PERS - Senate Bill 145

PERS members with at least five years of membership service may now purchase up to five years of the member's service as a volunteer in various United States service programs. The years of service which may be purchased is limited to five years in combination with some other service purchases. Senator John C. Bohlinger introduced this legislation with an effective date of October 1, 2003.

Increase Retirement Benefit for Volunteer Firefighters Compensation Act (VFCA)

Representative Larry Lehman introduced House Bill 731 to increase pension benefits for VFCA members who continue to work after the date they would qualify for a full pension benefit. An **active** VFCA member who is at least 55 years of age and has at least 20 years of service will be able to increase their future pension benefit by \$7.50 for each additional year of service earned after July 1, 2003. Any service earned over a total of 30 years does not apply. Also, service earned prior to the effective date of this legislation, July 1, 2003, may not be used to increase the pension benefit. (This is the only article in this newsletter specifically for the VFCA which is a retirement and disability plan administered by the Public Employees' Retirement Board for eligible volunteer firefighters.)

Judy Martz, Governor

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This is an official publication
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Should any information in this
newsletter conflict with statute or
rules, the statute or rules will
apply.

(more Legislation on page three)

Board Member News . . .

by Terry Teichrow, Board President

In a past newsletter I commended the MPERA staff, which works every day to administer eight retirement systems. Besides those 36 dedicated employees, the seven members of the Public Employees' Retirement Board come to Helena monthly for board meetings that take their time and require their expertise to make decisions affecting you and your future. Some of us are from Helena so it takes less time to attend the Board meeting. But some Board members from distant parts of Montana must travel two days for a one-day meeting and still are among the most consistent attendees I have ever met.

The Board membership has changed in the last 120 days. This article is about those who have served and those who will continue to serve. I have the deepest respect for all of them. Their dedication to your retirement plan is important.

I would first like to mention Carol Lambert, who traveled from her ranch north of Hammond to Helena twelve times a year in almost ten years of service on the Board. Carol was elected to serve in the House of Representatives for the 2003 Legislative Session. This meant she could no longer serve as a Board member. We may no longer have her on the Board, but she is still representing retirement issues. Thank you Carol for your service and dedication. Betty Lou Kasten from Brockway has taken Carol's position on the Board. Betty Lou served 12 years in the Montana Legislature.

In January of this year, one of our other long-distance Board members, Jean Thompson, decided to make use of her retirement benefit. Jean retired from her position as Clerk of Court in Billings. She served six years on the Board and never let the weather or distance prevent her from attending the Board meetings in Helena. Her representation on the Board was as an active employee so upon retirement, she could no longer serve. Thank you Jean for your service and dedication. Jim Pierce, from Livingston,

replaces Jean and is the first PERS Defined Contribution Retirement Plan member on the Board. Jim works for the Bozeman Job Service, Department of Labor and Industry.

In April, the Governor reappointed two Helena Board members, Robert (Bob) Griffith and Troy W. McGee to serve additional five-year terms. Bob has been a Board member for five years. He was a Highway Patrolman and retired from the command of that division. Troy has been a Board member for fifteen years and worked in state administration before his retirement. Boards are made up of diverse individuals who bring unique personalities to issues. From my perspective, no finer choice could have been made to fill these two positions. They have provided, and will continue to provide, their thoughtful input and expertise to the issues important to you. Thank you Bob and Troy for your continued service and dedication.

Added consistency and institutional knowledge comes from the two remaining Board members. Jay Klawon, from Hamilton, has served on the Board for three years. Jay's background includes investment management experience. Jay also serves as the Board representative to the Board of Investments. Finally, Carole Carey, Board Vice President, from Ekalaka has served on the Board since 1992. Carole is a Clerk of Court and County School Superintendent.

It is not always an easy task to make judgments regarding retirement issues. These issues are far more involved today than what we faced even ten years ago. This Board has taken the changes in stride and has addressed difficult issues diligently, knowledgeably and fairly, for the betterment of your retirement system. It has been an honor to work with these Board members and count them as friends. Thanks to them and all who serve our great state.

Terry Teichrow, Board President, has served on the Public Employees' Retirement Board since 1989. He is employed by the Office of Public Instruction, in Helena.

(Legislation continued from page one)

Deferred Retirement Option Plan for MPORS - House Bill 686

The MPORS Deferred Retirement Option Plan was implemented July 1, 2002. Representative Bob Bergren introduced House Bill 686 revising the DROP, effective April 9, 2003. This legislation allows MPORS members who complete at least 20 years of membership service, at any age, to participate in the DROP. Members may also retroactively elect the DROP if they attained their 20 years of membership service between July 1, 2002 and June 30, 2003. They must make this election on or before October 1, 2003, to receive credit retroactively to the date between July 1, 2002, and June 30, 2003, when they would have been eligible to participate in the DROP.

Optional Retirement Membership for PERS - Senate Bill 110

Senator Ken Toole introduced this legislation that became effective April 17, 2003. It revises and clarifies options for state and local elected officials to choose or decline membership in a PERS-covered elected position. This legislation provides for:



- × Active PERS members who are also serving in a local elected position on the effective date of this legislation have a retirement membership option. They may decline their PERS membership in the elected position if they will work less than 960 hours in that position in a calendar year.
- × A PERS member who is elected to a local government position after the effective date of this legislation may, within 180 days of being elected, decline optional membership in their elected position. Membership may be declined only if they will work less than 960 hours in the elected position in a calendar year.
- × Retired PERS members elected to a local or state PERS-covered position may choose to become an active member or decline the membership for the elected position. This applies to members receiving a retirement benefit under the defined benefit retirement plan or a distribution under the defined contribution retirement plan.

- × Retired PERS members in a local or state elected position who decline the optional membership are not subject to the hour or earning limitations for working retirees.

Generally Revise Public Retirement Law - for All Systems

Each legislative session, the Board submits proposed amendments to revise the statutes for the public retirement systems it administers. The 2003 housekeeping and general revisions bill, HB 213, sponsored by Representative Dave Gallik, is effective July 1, 2003. Interpretation of state and federal law and court decisions require constant changes in our public retirement systems. The legislation refines the retirement systems, improves member benefits, and makes the law easier to understand. Most of the amendments in this legislation change the language and terminology, clarify definitions, use terms with more precision and consistency, and simplify administration of the retirement systems. A summary follows:

1 Purchase of Reserve Military Service

Eligible members of the PERS, HPORS, SRS, GWPORS, MPORS, and FURS, with at least **five years of membership service** may now purchase up to five years of the member's reserve military service. The years of reserve military service which may be purchased is limited to five years in combination with some other service purchases.

2 Disability Benefit Cap Increased

The disability retirement benefit cap for members who became disabled in the line of duty for HPORS, SRS, GWPORS, and MPORS was limited to one-half the member's highest average compensation regardless of the member's length of service. This cap is now lifted for members of these retirement systems with 20 years or more of membership service who become disabled in the line of duty after July 1, 2003. These members will receive a disability retirement benefit equal to 2.5% of their highest or final average compensation (depending on the system) for each year of service credit. This change makes these systems consistent with the Firefighters' Unified Retirement System (FURS).

(General Revisions continued from page three)

3 Beneficiary Designation Changes for all systems

Members of all retirement systems may now designate their estate as a beneficiary, in addition to natural persons, charitable organizations, or trusts for the benefit of natural living persons.

Clarification is also made regarding payments if either statutory or designated beneficiaries predecease the member or payment recipient. The predeceased beneficiary's share will be paid to the remaining beneficiaries in amounts proportional to their original share.

Note: None of the above changes affect the required statutory beneficiary designations in MPORS, HPORS, and FURS.

4 Changes to Options for Retired PERS Members

PERS members retiring after October 1, 1999, and choosing Option 2 or 3 have, under limited circumstances, been allowed to revert to the retirement benefit available to them at retirement. Now these members may either revert to their original retirement benefit or elect a different option and name a different contingent annuitant. Changes to options may be made under two circumstances:

- ◆ The original contingent annuitant dies.
- ◆ The member and the contingent annuitant divorce and an approved Family Law Order does not restrict the member's right to make the change.

Note: Any retirement benefit option change must be filed with the MPERA, **in writing, within 18 months** of the death of or divorce from the contingent annuitant.

The law regarding changes to options for retired members is now consistent for PERS, SRS, GWPORS, and JRS.

Beneficiary Designation

The following information is provided to assist you when designating beneficiaries or making a beneficiary change:

- Keep your beneficiary information updated. The most recent beneficiary designation filed with the board is effective for all purposes.
- To be effective, your membership card containing beneficiary information must be "filed" or "filed with the board" which means it is mailed, or delivered to, and received by the MPERA - **not** your payroll clerk.
- Beneficiary designations and changes, for active members, must be made on a membership card which you may request from your payroll clerk or from MPERA.
- If you work for two PERS-covered employers, you must select the same beneficiaries on the membership card for both positions.
- If you name a trust as your beneficiary, be sure to provide the name and address of the trustee.
- Change the beneficiary for your decedent's warrant, life insurance, and deferred compensation account, if applicable.
- Retired members, who are eligible to do so, must request a form from the MPERA to change their beneficiary designation.

For more legislation information . . .

Contact the MPERA office, for additional information on any retirement-related legislation. Or, use the Legislature's web site for complete information on any legislation as well as the full bill text. This web site is located at:

<http://leg.state.mt.us/css/services/default.asp>

Annual Statements

For defined benefit retirement systems . . .

The Defined Benefit Plan Annual Statement for all retirement systems administered by the MPERA will be mailed to your home address in August. Your annual membership statement provides projections for your future retirement benefit, your total service credit, your service purchases, beneficiary information, and your account balance as of June 30, 2003.

When you receive your statement, be sure to read the back of it for an explanation of "Reading Your Annual Statement." This will give you a better understanding of how to interpret the data provided in the statement. Keep in mind that the annual statement is for informational purposes only. Final retirement calculations are made using the records on file with the MPERA .

If you believe information on your statement may be incorrect, correct a copy of the statement and mail it to the MPERA. Members of all retirement systems are encouraged to keep their personal mailing addresses current with their employers. Beneficiary changes must be made on your membership card which you can request from your payroll clerk or the MPERA.

Inactive members - those who no longer contribute to a retirement system administered by MPERA, but who have contributions in the fund - may request an annual statement by contacting MPERA.

Note to members of:

- **PERS Defined Contribution Retirement Plan (DCRP)**
- **Montana University System Optional Retirement Program (ORP)**

Members of the DCRP and ORP will not receive an annual statement from the MPERA. Statements of account will be provided by Great West Life & Annuity for the DCRP and TIAA-CREF for the ORP. For information, please contact the specific recordkeeper for your plan or program.

PERS Members . . .



Have you made your retirement plan choice?

Time is running out for some PERS members to make their retirement plan choice. The window closes on **June 30, 2003**, for all PERS members who were active on July 1, 2002.

If you have not filed your retirement plan election to stay in the PERS Defined Benefit Retirement Plan (DBRP) or change to the PERS Defined Contribution Retirement Plan (DCRP), you must do so by the end of June. Remember, your choice is irrevocable. You may not change your election unless you terminate plan membership for 24 months. Termination of plan membership occurs when you terminate from your PERS-covered position and withdraw your money from your retirement plan.

If you were newly hired after July 1, 2002, in a PERS-covered position, you will have one year from your hire date to make a retirement plan choice. PERS plan choice education materials is sent to your personal mailing address after you begin work.

Retirement Plan Choice Questions?

Here's who to contact:

MPERA: MPERA administers the DBRP and the DCRP. Phone us with questions about either plan; purchase of service; plan interpretation/administration; policy development; and education materials

Phone: 444-3154 (in Helena)

Toll Free: 877-275-7372

Web Site: www.discoveringmontana.com/doa/perb/

Educational Technologies, Inc. (ETI): ETI is an independent firm specializing in financial education. Call ETI (until June 30, 2003) with questions about retirement plan choice; educational issues; modeling software; and phone consultations.

Toll Free: 800-227-0559 (ETI Support Line)

Web Site: www.MPERAchoice.com

If you would like investment option information for the DCRP, go to ETI's web site, select Great West, enter as a guest, then click on 401(a) Plan.

A Board Commitment . . . to all the members

Some retirement system members have asked why the Public Employees' Retirement Board was not more supportive of expanding retirement benefits during the legislative session. The simple answer is that the retirement systems can not afford to promise more benefits at this time.

Members of all the retirement systems should remember the considerable benefit increases passed in the 2001 legislative session, including the 3% annual benefit increase. Those benefit increases were costly, but the pension trust funds seemed exceptionally well funded at the

time, based on the July 2000 actuarial valuation.

Since then, essentially all pension trust funds have been battered by a three-year negative stock market that wiped out a sizeable part of the value of equity holdings. Montana's pension trust funds are no exception.

Payment of benefits is not in danger. Montana's pension trust funds have enough assets to meet benefit obligations as they come due in the near term. However, unless the performance of the pension trust fund equity holdings improves appreciably, recognition of currently unrealized losses over

the next few years could leave some pension funds underfunded in the long term. Underfunding would require an infusion of additional contributions, a difficult request of the legislature and employers even in the best of times.

This session, for the financial health of the pension trust funds and for the long-term benefit of all the members, the Board again had to stress a long-term commitment to current funding for benefit increases.

Consequently, the Board opposed legislation that did not contain a current funding source to pay any increased cost.

The simple answer is that the retirement systems can not afford to promise more benefits at this time.

Questions?

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